

**TRENTON TOWN**

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**Financial Statements**

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**For the Year Ended June 30, 2006**

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FINANCIAL SECTION

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Town Council  
Trenton Town  
Trenton, Utah

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Trenton Town, Utah (the Town) as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* I have also issued a report dated November 10, 2006, on my consideration of the Town's internal control over financial reporting and over tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 9 and on page 33, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

MATTHEW REGEN, CPA, PC

*Matthew Regen, CPA, PC*

November 10, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Trenton Town (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

- The total net assets (government and business-type activities) of the Town increased during fiscal year 2006 by \$102,020 to a total of \$1,304,892. The governmental net assets increased by \$51,588 and the business-type net assets increased by \$50,432.
- The total net assets (government and business-type activities) of the Town consist of \$977,274 in capital assets, net of related debt, \$42,435 in restricted net assets and \$285,183 in unrestricted net assets.
- The total long-term liabilities of the Town were reduced \$64,764 during the fiscal year 2006.

### REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

*The government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, there will also be a need to consider other non-financial factors.
- *The statement of activities* presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, parks and recreation, and public works. The business-type activities of the Town include the water utility. The government-wide financial statements can be found on pages 11 and 12 of this report.

## **REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

- **Proprietary funds** - The Town maintains only one proprietary fund, an enterprise fund, to account for its culinary water utility operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Water Fund meets the criteria for major fund classification.
- **Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town currently has no fiduciary funds.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$1,304,892.

By far, the largest portion of the Town's net assets (75 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules present summarized information from the Statement of Net Assets and the Statement of Activities.

### STATEMENT OF NET ASSETS

		Governmental Activities		Business-type Activities	
		2006	2005	2006	2005
Current and other assets	\$	133,371	103,194	214,344	219,688
Capital assets		278,700	255,491	2,474,026	2,481,699
<b>Total assets</b>		<b>412,071</b>	<b>358,685</b>	<b>2,688,370</b>	<b>2,701,387</b>
Current liabilities		18,120	16,322	67,351	65,425
Noncurrent liabilities		-	-	1,710,078	1,775,453
<b>Total liabilities</b>		<b>18,120</b>	<b>16,322</b>	<b>1,777,429</b>	<b>1,840,878</b>
Invested in capital assets, net of debt		278,700	255,491	698,574	641,483
Restricted		40,083	20,828	2,352	2,352
Unrestricted		75,168	66,044	210,015	216,674
<b>Total net assets</b>	<b>\$</b>	<b>393,951</b>	<b>342,363</b>	<b>910,941</b>	<b>860,509</b>

## CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Program revenues:				
Charges for services	\$ 63,468	47,366	104,925	93,777
Operating grants	41,149	56,004	20,000	-
General revenues:				
Property taxes	14,375	16,053	-	-
Sales and use taxes	36,621	33,679	-	-
Franchise taxes	57,998	15,027	-	-
Other revenues	2,885	1,116	14,962	15,948
<b>Total revenues</b>	<b>216,496</b>	<b>169,245</b>	<b>139,887</b>	<b>109,725</b>
Expenses:				
General government	65,231	67,195	-	-
Public safety	56,378	44,013	-	-
Streets and public improvements	12,237	7,801	-	-
Parks and recreation	31,062	15,202	-	-
Water utility	-	-	89,455	71,088
<b>Total expenses</b>	<b>164,908</b>	<b>134,211</b>	<b>89,455</b>	<b>71,088</b>
<b>Change in net assets</b>	<b>51,588</b>	<b>35,034</b>	<b>50,432</b>	<b>38,637</b>
Net assets – beginning	342,363	307,329	860,509	821,872
<b>Net assets – ending</b>	<b>\$ 393,951</b>	<b>342,363</b>	<b>910,941</b>	<b>860,509</b>

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$115,251, an increase of \$28,379 over the prior year. Of this total amount \$75,168 constitutes unreserved fund balance, which is available to meet the future financial needs of the Town. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for road improvements and maintenance.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 51 percent of total general fund revenues. The two largest elements of taxes are sales and franchise taxes. Combined they represent 51 percent of total tax revenues and 26 percent of total general fund revenues.

The Town maintains an enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the current fiscal year the General Fund budget for revenues was \$191,900. The actual revenue was \$215,719. This resulted in a favorable variance of \$23,819 for revenue. The General Fund budget for expenditures was \$211,900. The actual expenditures were \$179,832. This resulted in a favorable variance of \$32,068 for expenditures. Overall, the Town had a favorable variance for the excess of revenues over expenditures of \$55,887.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$2,752,726 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads and infrastructure (streets, sidewalks, curb and gutter, etc.). The increase in the Town's investment in capital assets for the current fiscal year was \$97,916 and depreciation expense was \$82,380.

Major capital assets purchased during the fiscal year included the following:

- \$45,946 for improvements to the water system.
- \$35,890 for playground equipment.
- \$6,684 for road improvements.
- \$6,111 for fire department equipment.

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term debt - At June 30, 2006, the Town had total bonded debt outstanding of \$1,775,452 which consists entirely of water revenue bonds used to expand and improve the Town's water system.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this financial report.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Trenton Town, P.O. Box 77, Trenton, Utah, 84338.

BASIC FINANCIAL STATEMENTS

TRENTON TOWN  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

<u>Assets</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Pooled cash and cash equivalents	\$ 98,417	208,054	306,471
Receivables, net	34,954	6,290	41,244
Fixed assets, net	<u>278,700</u>	<u>2,474,026</u>	<u>2,752,726</u>
Total assets	<u>412,071</u>	<u>2,688,370</u>	<u>3,100,441</u>
 <u>Liabilities</u>			
Liabilities:			
Accounts payable and accrued expenses	4,824	1,977	6,801
Deferred revenue	13,296	-	13,296
Bonds payable:			
Due within one year	-	65,374	65,374
Due within more than one year	<u>-</u>	<u>1,710,078</u>	<u>1,710,078</u>
Total liabilities	<u>18,120</u>	<u>1,777,429</u>	<u>1,795,549</u>
 <u>Net Assets</u>			
Investments in capital assets, net of related debt	278,700	698,574	977,274
Restricted:			
Class "C" roads	40,083	-	40,083
Bond reserve	-	2,352	2,352
Unrestricted	<u>75,168</u>	<u>210,015</u>	<u>285,183</u>
Total net assets	<u>\$ 393,951</u>	<u>910,941</u>	<u>1,304,892</u>

The accompanying notes are an integral part of these financial statements.

TRENTON TOWN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
General government	\$	37,407	8,132	-	(28,002)	-	(28,002)
Sanitation		27,824	27,778	-	(28,600)	-	(28,600)
Public safety		56,378	19,313	-	(5,903)	-	(5,903)
Streets and public improvements		12,237	-	-	25,031	-	25,031
Parks and recreation		31,062	8,245	-	(22,817)	-	(22,817)
Total governmental activities		164,908	63,468	-	(60,291)	-	(60,291)
Business-type activities:							
Water fund		89,455	111,675	-	-	42,220	42,220
Total business-type activities		89,455	111,675	-	-	42,220	42,220
Total primary government	\$	254,363	175,143	-	(60,291)	42,220	(18,071)
General revenues:							
Taxes:							
Sales and use tax					36,621	-	36,621
Property tax					14,375	-	14,375
Franchise & other taxes					57,998	-	57,998
Total taxes					108,994	-	108,994
Interest income					2,885	8,212	11,097
Total general revenues					111,879	8,212	120,091
Change in net assets					51,588	50,432	102,020
Net assets - beginning					342,363	860,509	1,202,872
Net assets - ending					\$ 393,951	910,941	1,304,892

The accompanying notes are an integral part of these financial statements.

TRENTON TOWN  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Pooled cash and cash equivalents	\$ 86,981	11,436	98,417
Receivables, net	34,954	-	34,954
Total assets	<u>121,935</u>	<u>11,436</u>	<u>133,371</u>
<u>Liabilities and Fund Equities</u>			
Liabilities:			
Accounts payable and accrued liabilities	4,824	-	4,824
Deferred revenue	13,296	-	13,296
Total liabilities	<u>18,120</u>	<u>-</u>	<u>18,120</u>
Fund equity:			
Fund balances			
Reserved - Roads	40,083	-	40,083
Unreserved - Undesignated	63,732	11,436	75,168
Total fund equity	<u>103,815</u>	<u>11,436</u>	<u>115,251</u>
Total liabilities and fund equity	<u>\$ 121,935</u>	<u>11,436</u>	<u>133,371</u>

The accompanying notes are an integral part of these financial statements.



TRENTON TOWN  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

Total fund balances for governmental funds \$ 115,251

Net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 4,691	
Buildings	177,120	
Equipment	207,752	
Infrastructure	40,209	
Accumulated depreciation	<u>(151,072)</u>	278,700

Net assets of governmental activities \$ 393,951

The accompanying notes are an integral part of these financial statements.

TRENTON TOWN  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 108,994	-	108,994
Licenses	1,629	-	1,629
Intergovernmental	40,041	-	40,041
Charges for services	52,966	-	52,966
Fines and forfeitures	2,637	-	2,637
Miscellaneous revenues	9,452	777	10,229
Total revenues	215,719	777	216,496
Expenditures:			
General government	38,300	-	38,300
Sanitation	27,824	-	27,824
Public safety	41,576	-	41,576
Streets and public improvements	18,013	-	18,013
Parks and recreation	54,119	8,285	62,404
Total expenditures	179,832	8,285	188,117
Excess (deficiency) of revenues over expenditures	35,887	(7,508)	28,379
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing uses	-	-	-
Excess (deficiency) of revenues and other financing uses over expenditures and other financing uses	35,887	(7,508)	28,379
Fund balance - beginning of year	67,928	18,944	86,872
Fund balance - end of year	\$ 103,815	11,436	115,251

The accompanying notes are an integral part of these financial statements.

TRENTON TOWN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balance - Total governmental funds	\$ 28,379
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$51,970 exceeded depreciation expense of \$28,761 in the current year.

23,209

Changes in net assets of governmental activities	\$ <u>51,588</u>
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The accompanying notes are an integral part of these financial statements.

TRENTON TOWN  
STATEMENT OF NET ASSETS -  
PROPRIETARY FUND  
JUNE 30, 2006

<u>Assets</u>	<u>Water Fund</u>	<u>Total Business- Type Activities</u>
Pooled cash and cash equivalents	\$ 208,054	208,054
Receivables, net	6,290	6,290
Fixed assets, net	<u>2,474,026</u>	<u>2,474,026</u>
Total assets	<u>2,688,370</u>	<u>2,688,370</u>
 <u>Liabilities</u>		
Accounts payable and accrued liabilities	1,977	1,977
Non-current liabilities:		
Due within one year	65,374	65,374
Due in more than one year	<u>1,710,078</u>	<u>1,710,078</u>
Total liabilities	<u>1,777,429</u>	<u>1,777,429</u>
 <u>Net Assets</u>		
Investments in capital assets, net of related debt	698,574	698,574
Restricted:		
Bond reserve	2,352	2,352
Unrestricted	<u>210,015</u>	<u>210,015</u>
Total net assets	<u>\$ 910,941</u>	<u>910,941</u>

The accompanying notes are an integral part of these financial statements.

TRENTON TOWN  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS -  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	Water Fund	Total Business- Type Activities
Operating revenues:		
Services	\$ 104,925	104,925
Connection fees	6,750	6,750
Grant	20,000	20,000
Total operating revenues	<u>131,675</u>	<u>131,675</u>
Operating expenses:		
Current expenses	13,692	13,692
Depreciation	53,619	53,619
Total operating expense	<u>67,311</u>	<u>67,311</u>
Operating income	64,364	64,364
Non-operating income (expense):		
Interest income	8,212	8,212
Interest expense	(22,144)	(22,144)
Total non-operating income (expense)	<u>(13,932)</u>	<u>(13,932)</u>
Change in net assets	50,432	50,432
Net assets - beginning of year	<u>860,509</u>	<u>860,509</u>
Net assets - end of year	<u>\$ 910,941</u>	<u>910,941</u>

The accompanying notes are an integral part of these financial statements.

TRENTON TOWN  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	Water Fund	Total Business- Type Activities
<u>Cash flows from operating activities:</u>		
Receipts from customers and users	\$ 132,095	132,095
Payments to suppliers	(12,377)	(12,377)
Net cash provided by operating activities	119,718	119,718
<u>Cash flows from non-capital financing activities</u>	-	-
<u>Cash flows from capital and related financing activities:</u>		
Purchases of capital assets	(45,946)	(45,946)
Principal payments on bonds	(64,764)	(64,764)
Interest payments on bonds	(22,144)	(22,144)
Net cash used in capital and related financing activities	(132,854)	(132,854)
<u>Cash flows from investing activities:</u>		
Interest on investments	8,212	8,212
Net cash provided by investing activities	8,212	8,212
Net increase in cash and cash equivalents	(4,924)	(4,924)
Cash and cash equivalents at beginning of year	212,978	212,978
Cash and cash equivalent at end of year	\$ 208,054	208,054
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 64,364	64,364
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	53,619	53,619
Change in assets and liabilities:		
Increase in accounts receivable	420	420
Decrease in accounts payable	1,315	1,315
Total adjustments	55,354	55,354
Net cash provided by operating activities	\$ 119,718	119,718

The accompanying notes are an integral part of these financial statements.

TRENTON TOWN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

Note 1 – Summary of Significant Accounting Policies

*Reporting Entity*

The Trenton Town (the Town) was incorporated in 1919 under the laws of the state of Utah. The Town operates by ordinance under the Mayor-Council form of government and provides such services as are authorized by its charter including public safety (police and fire), highway and streets, sanitation, recreation, public improvements, planning and zoning, and general administration. In addition, the Town owns and operates a water utility.

The accounting and reporting policies of the Town relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989, which do not conflict with or contradict GASB pronouncements. The Town has elected not to follow FASB pronouncements issued after November 30, 1989 in the preparation of these financial statements. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

*Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town and its component units. The interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the Town.

The Town reports the following major governmental fund:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary fund:

The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.



## Note 1 – Summary of Significant Accounting Policies (continued)

### *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible fixed assets used is charged as an expense against the Town's operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	10 to 40 years
Water system and equipment	7 to 50 years
Machinery and equipment	5 to 7 years
Infrastructure	50 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

### *Deferred Revenues*

In the government-wide statements and the proprietary fund statements, deferred revenue is recognized when cash or other assets are received or recognized prior to being earned. In the governmental fund statements, deferred revenue is recognized when revenue is either unearned or unavailable.

### *Long-term Debt*

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists entirely of bonds payable.

Long-term debt for the governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principle and interest are reported as expenditures. The accounting for proprietary fund long-term debt is the same as in the fund statements as in the government-wide statements.

## Note 1 – Summary of Significant Accounting Policies (continued)

### *Equity Classifications*

Equity in the government-wide financial statements is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- Restricted net assets – Consists of net assets with constraints placed on the usage whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Governmental fund equity is classified as fund balance in the fund financial statements. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide financial statements.

### *Property Taxes*

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% for \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within 60 days after year end.

### *Budgets*

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

## Note 1 – Summary of Significant Accounting Policies (continued)

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### *Cash and Cash Equivalents*

For the purpose of the Statement of Net Assets, the term “cash and cash equivalents” includes all demand deposit accounts, savings accounts, or other short-term, highly-liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

## Note 2 – Deposits and Investments

The Town follows the requirements for the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This Act requires the depositing of Town’s funds in a “qualified depository”. The Act defines a “qualified depository” as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

### *Deposits*

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2006 none of the Town’s bank balances were uninsured and/or uncollateralized.

### *Investments*

The Act defines the types of securities authorized as appropriate investments for the Town and the conditions for making investment transactions. Investment transactions may only be conducted through qualified depositories, certified dealers or directly with the issuers of the investment securities.

Note 2 – Deposits and Investments (continued)

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Service or Standards & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes and bonds; bonds, notes and other evidence of indebtedness of political subdivisions of the state; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in money market mutual fund as defined by the Act; and the Utah State Public Treasurer’s Investment Fund (PTIF).

The Utah State Treasurer’s Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act established by the Money Management Council which oversees the activities of the state treasurer and the PTIF, and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administrations fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

The Town’s investments on June 30, 2006, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u> (Less than one year)	<u>Quality Rating</u>
State of Utah PTIF	<u>\$280,575</u>	<u>\$280,575</u>	Unrated

**Interest Rate Risk** – Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Town’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits and fixed rate corporate obligations of 270 to 365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have remaining term to final maturity exceeding two years.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town’s policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. See the quality ratings on the investment schedules above.

## Note 2 – Deposits and Investments (continued)

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk in regard to the custody of the Town's investments.

**Concentration of Credit Risk** – Concentrations of credit risk is the risk of loss attributed to the magnitude of government's investment in a single issuer. The Town's policy for reducing this risk of loss is to comply with the Rules of Money Management Council.

## Note 3 – Legal Compliance – Budgets

On or before the first scheduled Town council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changes by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 4 – Receivables

The Town has property and sales taxes, accounts receivable and receivables due from other governments as of June 30, 2006 as follows:

General Fund:

Taxes:

Property taxes	\$	13,296
Sales taxes		<u>7,293</u>

Total taxes receivable		<u>20,589</u>
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Accounts:

Garbage		5,664
911 fees		<u>850</u>

Total accounts receivable		<u>6,514</u>
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Due from other governments:

Class "C" roads – State of Utah		<u>7,851</u>
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Total receivables	\$	<u>34,954</u>
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Water Fund:

Accounts:

Services and fees	\$	21,806
Less allowance for doubtful accounts		<u>(15,516)</u>

Total receivables	\$	<u>6,290</u>
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## Note 5 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2006, are as follows:

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2006</u>
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 4,691	-	-	4,691
Total capital assets not being depreciated	<u>4,691</u>	<u>-</u>	<u>-</u>	<u>4,691</u>
Capital assets being depreciated:				
Buildings and improvements	173,835	3,285	-	177,120
Equipment	165,751	42,001	-	207,752
Infrastructure	<u>33,525</u>	<u>6,684</u>	<u>-</u>	<u>40,209</u>
Total capital assets being depreciated	<u>373,111</u>	<u>51,970</u>	<u>-</u>	<u>425,081</u>
Accumulated depreciation for:				
Buildings	(26,671)	(5,239)		(31,910)
Equipment	(95,081)	(22,785)		(117,866)
Infrastructure	<u>(559)</u>	<u>(737)</u>	<u>-</u>	<u>(1,296)</u>
Total accumulated depreciation	<u>(122,311)</u>	<u>(28,761)</u>	<u>-</u>	<u>(151,072)</u>
Total capital assets being depreciated, net	<u>250,800</u>	<u>23,209</u>	<u>-</u>	<u>274,009</u>
Total governmental activities Capital assets, net	\$ <u>255,491</u>	<u>23,209</u>	<u>-</u>	<u>278,700</u>

Depreciation expense was charged to functions of the Town as follows:

General government	\$ 2,392
Public safety	20,913
Streets and public improvements	908
Parks and recreation	<u>4,548</u>
Total depreciation expense	\$ <u>28,761</u>

Note 5 – Capital Assets (continued)

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2006</u>
<b><u>Business-type Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ <u>22,091</u>	<u>-</u>	<u>-</u>	<u>22,091</u>
Total capital assets not being depreciated	<u>22,091</u>	<u>-</u>	<u>-</u>	<u>22,091</u>
Capital assets being depreciated:				
Water system	<u>2,672,119</u>	<u>45,946</u>	<u>-</u>	<u>2,718,065</u>
Total capital assets being depreciated	<u>2,672,119</u>	<u>45,946</u>	<u>-</u>	<u>2,718,065</u>
Accumulated depreciation for:				
Water system	<u>(212,511)</u>	<u>(53,619)</u>	<u>-</u>	<u>(266,130)</u>
Total accumulated depreciation	<u>(212,511)</u>	<u>(53,619)</u>	<u>-</u>	<u>(266,130)</u>
Total capital assets being depreciated, net	<u>2,459,608</u>	<u>(7,673)</u>	<u>-</u>	<u>2,451,935</u>
Total business-type activities capital assets, net	\$ <u>2,481,699</u>	<u>(7,673)</u>	<u>-</u>	<u>2,474,026</u>



## Note 6 – Long-term Debt

Long-term liability transactions for the fiscal year ended June 30, 2006, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Business-type Activities:</u></b>					
Bonds payable	\$ <u>1,840,216</u>	<u>-</u>	<u>(64,764)</u>	<u>1,775,452</u>	<u>65,374</u>
Total business-type long-term liabilities	\$ <u>1,840,216</u>	<u>-</u>	<u>(64,764)</u>	<u>1,775,452</u>	<u>65,374</u>

### *Business-type Activities*

Long-term debt for business-type activities consists of the following:

#### *Bonds payable*

\$130,000 Water revenue bonds, Series 1992, issued June 10, 1992. Due to the State of Utah in annual installments of \$11,700, including interest at 4 %, through January 2008.

\$ 21,919

\$70,000 Water revenue bonds, Series 2004B, issued May 27, 2004. Due to the State of Utah in annual installments ranging from \$3,000 to \$5,000, including interest at 2 %, through January 2025.

67,000

\$1,304,000 Water revenue bonds, Series 2004A, issued May 27, 2004. Due to the State of Utah in annual installments ranging from \$47,000 to \$106,000, through September 2029. The bonds were issued without interest.

1,257,000

\$438,000 Water revenue bonds, issued May 27, 2004. Due to the US Dept. of Agriculture in monthly installments of \$1,938, including interest at 4.38 %, through May 2044.

429,533

Total \$1,775,452

Note 6 – Long-term Debt (continued)

The following is a summary of the annual payments to maturity:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 65,374	20,552	85,926
2008	65,840	19,873	85,713
2009	54,967	19,561	74,528
2010	55,188	19,276	74,464
2011	55,420	18,983	74,403
2012-2016	287,282	89,415	376,697
2017-2021	317,673	79,731	397,404
2022-2026	321,865	68,078	389,943
2027-2031	320,302	55,358	375,660
2032-2036	72,531	40,496	113,027
2037-2041	90,230	22,006	112,236
2042-2044	68,780	2,709	71,489
Totals	\$ <u>1,775,452</u>	<u>456,038</u>	<u>2,231,490</u>

Note 7 – Restricted Net Assets/Reserved Fund Equity

Restricted net assets and reserved fund balances represent amounts required to be maintained to satisfy third party agreements or legal requirements. The following schedule details restricted net assets and reserved equity balances at June 30, 2006:

General Fund:

Road construction and maintenance \$ 40,083

Water Fund:

Bond reserve \$ 2,352

REQUIRED SUPPLEMENTARY INFORMATION

TRENTON TOWN  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Property tax	\$ 16,000	16,000	14,375	(1,625)
Sales tax	20,000	20,000	36,621	16,621
Franchise tax	14,000	14,000	18,346	4,346
RAPZ tax	37,000	37,000	39,306	2,306
Licenses and permits	1,000	1,000	1,629	629
Intergovernmental	41,700	41,700	40,041	(1,659)
Charges for services	51,500	51,500	55,336	3,836
Fines and forfeitures	2,500	2,500	2,637	137
Miscellaneous revenues	8,200	8,200	7,428	(772)
<b>Total revenues</b>	<b>191,900</b>	<b>191,900</b>	<b>215,719</b>	<b>23,819</b>
<b>Expenditures:</b>				
General government	24,200	38,700	38,300	400
Sanitation	32,000	32,000	27,824	4,176
Public safety	36,500	36,500	41,576	(5,076)
Streets and public improvements	41,500	41,500	18,013	23,487
Parks and recreation	62,700	63,200	54,119	9,081
<b>Total expenditures</b>	<b>196,900</b>	<b>211,900</b>	<b>179,832</b>	<b>32,068</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(5,000)</b>	<b>(20,000)</b>	<b>35,887</b>	<b>55,887</b>
<b>Other financing sources uses:</b>				
Transfers in:				
Capital Projects Fund	5,000	20,000	-	20,000
<b>Total other financing uses</b>	<b>5,000</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing us: \$</b>	<b>-</b>	<b>-</b>	<b>35,887</b>	<b>75,887</b>
<b>Fund balance - beginning of year</b>	<b>\$</b>		<b>67,928</b>	
<b>Fund balance - end of year</b>	<b>\$</b>		<b>103,815</b>	

See Independent Auditor's Report.

TRENTON TOWN  
NOTE TO BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2006

Expenditure in Excess of Budget

The public safety department of the general fund had expenditures in excess of budget in the amount of \$5,076 for the year ended June 30, 2006.

GOVERNMENTAL AUDIT REPORT

**MATTHEW REGEN, CPA, PC**

Certified Public Accountant/Business Consultant

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**Report on Compliance and on Internal Control over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

To the Honorable Mayor and Town Council  
Trenton Town  
Trenton, Utah

I have audited the financial statements of Trenton Town (the Town) as of and for the year ended June 30, 2006 and have issued my report thereon dated November 10, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I reported to management of the Town in a separate letter dated November 10, 2006.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Company's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I would consider to be material weaknesses.

This report is intended solely for the information of the management of the Town, the Town Council and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

MATTHEW REGEN, CPA, PC

*Matthew Regen CPA PC*

November 10, 2006



STATE COMPLIANCE REPORT

**MATTHEW REGEN, CPA, PC**

Certified Public Accountant/Business Consultant

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LEGAL  
COMPLIANCE REQUIREMENTS**

To the Honorable Mayor and Town Council  
Trenton Town  
Trenton, Utah

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Trenton Town, Utah (the Town), for the year ended June 30, 2006, and have issued my report thereon dated November 10, 2006. As part of my audit, I have audited the Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major assistance programs from the State of Utah:

Class C Road Funds (Department of Transportation)  
Liquor Law Enforcement Funds (State Tax Commission)

My audit also included test work on the Town's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation and Property Tax Limitations  
Liquor Law Enforcement  
C Road Funds  
Other General Compliance Issues

Management of the Town is responsible for the Town's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable

assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, the Town complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ending June 30, 2006.

Matthew Regen, CPA, PC

A handwritten signature in black ink that reads "Matthew Regen, CPA, PC". The signature is written in a cursive, flowing style.

November 10, 2006

**MATTHEW REGEN, CPA, PC**

Certified Public Accountant/Business Consultant

P.O. Box 6393 • Logan, Utah 84341  
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Cell (435) 770-5403 • matt@regencpa.com

November 10, 2006

To the Honorable Mayor and Town Council  
Trenton Town  
Trenton, Utah

In planning and performing my audit of the financial statements of Trenton Town (the Town) for the year ended June 30, 2006, I observed certain matters related to compliance, internal control structure (other than "reportable conditions") and certain administrative and operating matters. My observations and recommendations are summarized below.

1. Finding: Cash Management – All public funds must be deposited no later than three days after receipt.

Recommendation: I recommend that you implement procedures that ensure that all deposits are made timely.

Management response: We will implement procedures that ensure that all deposits are made timely.

2. Finding: Budgetary Compliance - Expenditures exceeded their appropriations in the public safety department of the General Fund and in the Capital Projects Fund.

Recommendation: I recommend that you monitor each department and fund's budget more closely and adopt budget changes as necessary.

Management response: Each department will monitor their budgets more closely and department and fund budgets will be adjusted as required.

3. Finding: Records Retention – The Town does not have a formal records retention program.

Recommendation: I recommend that you adopt a formal records retention program in compliance with the State's Government Records Access and Management Act.

Management response: A formal records retention program will be adopted and implemented for the Town.

In conclusion, I appreciate the assistance of all of the Town personnel and administrators who were involved in this audit. I would especially like to recognize Macall Smith for her hard work and cooperation. Thank you for the opportunity to serve you.

Sincerely,

MATTHEW REGEN, CPA, PC

*Matthew Regen, CPA, PC*